Michael Sandel
What Money Cannot Buy
The Moral Limits of Markets

Thank you very much. Thank you, Professor Duboule. Thank you very much to the Latsis Foundation, and also to the Latsis Family, for inviting me, for your very warm welcome, especially so on the occasion of honouring these young, distinguished, impressive scholars and scientists; it adds really to the privilege of me being able to participate in this event and I want to add my congratulations to the winners of the Latsis Foundation prizes. They are so impressive, not only with the work they have done, but also the way they speak.

This evening, I would like to discuss with you one of the central questions of our time, which is, "What should be the role of money and markets in our societies?" Today, there are very few things that money cannot buy. When I was young, going to an amusement park was an exciting experience; part of the experience was waiting sometimes in long lines for the popular rides; this was just part of the experience. Today, it is different: in many amusement parks around the world, if you do not like waiting in a long line, and if you have the money, it is possible to pay extra and to jump to the head of the line without a wait—fast-track or VIP tickets. It is not only at amusement parks that things have changed: in Washington DC, when there are congressional hearings, a certain number of seats are made available to the public on a first-come, first-served basis. With popular hearings, a lot of people would like to attend, but not everyone who is keen to attend likes waiting in long lines, so now there are companies in Washington DC that provide a service. If you very much want to attend a hearing, but do not want to wait in a long line, sometimes for hours, even overnight, you can go the company, pay them a certain amount of money and they will hire a homeless person, or someone else who needs a job, to wait in the line for you; when the hearing begins, you, often the lobbyist, can take your place in the front row of the hearing room. One of the companies that provides this service is called linestanding.com. These may seem like small examples, paying to jump to the head of a line for a congressional hearing or at an amusement park, but money and market values and market thinking are also increasingly governing big aspects of our lives: the way we fight our wars, for example, those of us who still fight wars. Did you know that in Iraq and Afghanistan there were more private military contractors on the ground than U.S. military troops? This is not because we ever had a public debate about whether to outsource war to private companies; somehow, it just happened.

Over the last few decades, we have witnessed (and by "we" I mean those of us not only in the U.S., but in Europe, in Asia, in South America and around the world), we have witnessed a quiet revolution. We have drifted, almost without realizing it, from having market economies to becoming market societies. The difference is this: a market economy is a tool; it is a valuable and effective tool for organizing productive activity and market societies have brought rising prosperity, affluence and economic growth to countries around the world, but a market society is different. A market society is a place where almost everything is up for sale: it is a way of life in which market thinking and market values begin to govern every aspect of life, not only material goods, but personal relations, health, education, community, the media, politics and civic life. Why worry? Should we worry about becoming market societies? Well, we might worry for two reasons and I would like to consider these reasons, these arguments, with you this evening.

One familiar reason to worry is that when more and more of life is up for sale, inequality matters more. If the only thing money determined were access to BMWs and yachts and fancy vacations, inequality would not matter very much; but, if money governs access to the essential aspects of a good life, access to a decent education, to decent healthcare, to living in a safe neighbourhood, rather than in one wrought with violence; if money determines access to political voice and influence; if money governs access to these fundamental goods, then inequality matters more than it otherwise would. Putting a price on more and more aspects of the good life sharpens the sting of inequality and, as we know, in recent decades, inequality has been increasing. This is an important but familiar reason to worry about the increasing marketization of life, but there is a second reason. That has to do with the tendency sometimes of market values to corrupt or crowd out non-market values worth caring about.

Let me give you some examples and see what you think about sometimes novel and unusual, or controversial, uses of market mechanisms. In thinking about where markets belong and where they may do damage to important values, we might begin by asking whether there are some things that money cannot buy, even if it tries. What would they be? What do you think? Love, perhaps, or friendship. It is an interesting philosophical question why money cannot buy friendship: suppose you did not have many friends and suppose you wanted more; it might occur to you to buy a few, but chances are you would quickly realize that this would not work very well. Why not? Well, somehow a hired friend is not quite the same as a real one; somehow the money that would buy the friendship dissolves the good that we seek. Friendship would seem to be a good that money cannot buy, but many goods are not like friendship in this respect.

Take kidneys: many people need a kidney transplant to survive. In most countries, the buying and selling of kidneys is not permitted. It is one of the areas, human organs, where in most countries we do not allow the free market to operate, but it is not obvious whether this is the right choice. Many economists point out that there are far more people who need kidneys than there are people willing to donate kidneys: people die every year waiting for kidneys, so why not increase supply to meet the demand by using a market mechanism, say some economists; why not allow a free market in human organs? People disagree about whether there should be a free market in kidneys for transplantation, but one thing worth noticing about that debate is that if money were permitted to buy kidneys, the kidney would work, assuming a good match. Kidneys are unlike friendship in this respect: the buying and selling of them would not destroy the good being sought. If there is anything wrong with having a free market in human organs, it cannot be that money will not work, that it will dissolve the good. It must be for some moral reason, an independent, moral argument that one would have to present.

Let us take a survey of opinion in this room. What about the idea of having a free market in kidneys to increase the supply? How many would favour such a market? Very few. I only see about nine or ten hands. How many would be opposed? [*Pause.*] Most people in this room would be opposed. I can imagine one reason for opposing a free market in kidneys might be the worry of exploiting the poor. One of the great appeals of free markets is that markets involve voluntary exchanges between parties: the idea is that if people choose freely and agree on a price, both parties are better off if they freely entered into the deal. That is a standard argument in favour of markets. You might worry—the majority here, the overwhelming majority—may worry, some of you, that if there were a global market in kidneys, the sellers would be desperately poor peasants, let us say, from the developing world, and maybe you worry that their choice to sell would not be truly voluntary under pressure of crushing poverty, let us say. That would be an argument about really how free is the choice against a background of inequality. Or, you might worry for a different reason, because we could ask hypothetically… actually, we could do this experiment. Hypothetically, if you set aside the objection of inequality and of unfreedom against the background of desperate poverty, then would there be any further objection to a market in kidneys, if we lived in a roughly equal society? Let us just do that as an experiment. If we lived in a roughly equal world where no one was subject to crushing, desperate economic need, then how many would oppose a market in kidneys? [Pause.] Still a sizeable number, but now less than half, now fewer than half. There must be a second reason and my guess is the second reason that went beyond freedom in inequality is maybe a sense that somehow it is a violation of human dignity or the human person to treat our bodies as instruments of profit, that somehow it is a kind of selling-out of the human person. This is a second kind of argument to do not with inequality, not with freedom, but to do with some sense about corrupting, or degrading, or failing to respect, say, human dignity or the integrity of the person.

So, there are two different reasons we might object to certain uses of markets. I would like to test these reasons by considering some recent, novel uses of markets. Well, here is a hypothetical one—and in some parts of the world, not so hypothetical: university admissions. Typically, there is a competition based on academic merit and promise. But why not auction a few seats to raise money for the university? Some people might object that this would be unfair to those who cannot afford it; other people might say it is a good idea: it will raise money; and yet others would say that somehow this would be a corruption of the integrity of a university which, after all, is not a money-making activity, but an institution devoted to teaching and learning and rewarding and honouring scholarly and scientific excellence.

Take an example drawn from environmental protection. African countries are struggling with the problem of endangered wildlife and there are organizations around the world devoted to conservation of wildlife, but anti-poaching laws to protect endangered species are often very difficult to enforce. There are many species of wildlife, especially in Africa, whose numbers are diminishing at an alarming rate. One such animal is the black rhino. In Namibia, they are trying to use a market mechanism to save the black rhino; there are only 5 000 black rhinos left in the world and about 1 700 of them are in Namibia. They need to raise money to support conservation efforts and the most effective way they have found to raise money is to auction off, each year, the right, to some hunter willing to pay a lot of money, the right to come and shoot one black rhino. Last year, they carried out this auction and the winning bid… how much do you think the winning bid would be for? It was for $350 000; the winning bid came, not surprisingly, from a hunter in Texas. He paid the money and had the right to go shoot one black rhino, but not any one: he could not choose which black rhino. The conservation authority chose an aged male, black rhino who had a bad temper; maybe they thought this particular rhino deserved this fate and it raised $350 000 to help conservation efforts.

Let us see what people think about this use of a market mechanism, the auction, as a means to a worthy end which is conservation. How many think it is a good idea, and how many oppose it? Let us first see how many are in favour of auctioning off the right to shoot an endangered species for the sake of conservation and how many are against. How many find it objectionable? Here we have a pretty even division of opinion, divided almost evenly. I am guessing that those of you who are in favour, are in favour for the straightforward reason that if this is the most effective way of raising funds for a good cause, why not, especially if it is an old, black rhino, past the age of reproduction, why not? I imagine the other half of the room, those of you who opposed the use of a market mechanism in the case of the rhino, are probably troubled by the worry that even though it raises money, putting a price on the right to shoot an endangered species may do some damage to the ethic of conservation itself. There is something, at best, paradoxical about this mechanism to protect an endangered species by, in one case, shooting one. In fact, it did raise something of an outrage, this recent hunt: one comedian, an American comedian, offered a parody of the logic behind the auction, saying, "If you love something, set it free, then, when it has a bit of a head start, open fire." The idea, the objection, must be that even if you raise money and even if the money does succeed in promoting conservation that the long-term conservation ethic depends on cultivating a certain attitude toward endangered species. That attitude, that ethic, is corrupted by the auction, even though the auction is for the sake of a good end.

Take another example to do with the environment. One of the biggest environmental challenges we face is to reduce the emission of carbon and to deal with the problem of climate change. One of the mechanisms for doing this is tradable pollution permits. Europe has a system of tradable emissions permits; globally, there is not such a system yet, but at the Kyoto Summit in the late 1990s there was a proposal to assign every country a cap on emissions, to be negotiated. The U.S. and some other countries said they would only agree to these aggressive, ambitious caps on carbon emissions if the agreement included the possibility of fulfilling the reductions, either by reducing a country's own emissions, or by using tradable pollution permits, enabling a country to pay some other country for its excess permits—paying some other country to reduce theirs. The advantage of a system of tradable pollution permits, or emissions credits, is clear: it is an advantage that economists urge upon us. If, for example, the U.S., or Switzerland, finds it more expensive to reduce its emissions than to pay some other country to reduce theirs, say in the developing world, the more efficient solution is to let the affluent country outsource, so to speak, its reductions, by paying another country to, let us say, burn less of the Amazon, or to replace kerosene lamps in Indian villages. Why not? Furthermore, because of the efficiency of trading, countries use the rationale: countries of the world would likely agree to more demanding caps for themselves, knowing that they would not have to achieve it through their own sacrifice. So, that is the efficiency argument. The argument against has to do with social norms and with shared sacrifice: why object? Some countries did object. Well, you might object if you think that there is something troubling about letting wealthy countries, in effect, buy their way out of shared sacrifice. It is similar to the idea of cultivating an ethic of conservation for endangered wildlife: you might object on the grounds that if the long-term success in reducing global warming depends on cultivating a shared ethic of responsibility for the planet we share and, therefore, a spirit of shared sacrifice, if you believe that, then you might think that letting wealthy countries buy their way out of shared sacrifice, even if economically efficient, is damaging to the global ethic that long-term action on the environment and global warming might require. In fact, at the time that the U.S. government was insisting on this provision in the Kyoto Agreement, I wrote an op-ed piece in the *New York Times*, making this argument about a shared, global ethic and how it was a mistake to insist on the tradable permits, on buying our way out. I was deluged with critical letters, some written to the *New York Times*, some slid under my door, most by economists, many of them my own colleagues, who said I really did not understand the virtues of economic efficiency and rationality. I did get one sympathetic note from my former, one-time College economics professor: he wrote me a note, having noticed this controversy, saying, "I understand the argument you are trying to make and I even have some sympathy with it, but could I ask one favour? Do not tell anyone who taught you economics!"

There are other attempts to deal with environmental challenges that draw on market mechanisms, in some cases that encourage individuals to act: take carbon offsets. Many industries that involve carbon emissions will give customers, as individuals, the opportunity to calculate and then financially to offset the effect of the pollution they send, the carbon they emit. For example, BP—British Petroleum—has a place on its website where you can enter some information about what kind of car you have and how many miles you drive each year. The website will calculate the cost of your emissions, your share, and will enable you to make a voluntary payment to neutralize the effect of the carbon emissions for which you are responsible; they will donate the money often to projects in the Third World that buy up the kerosene lamps, for example, or that in other ways remediate greenhouse gases. The average British driver can offset a year's worth of emissions, British Petroleum estimates, for about £20. For a time, British Airways had a similar feature on its website where you can neutralize your share of the greenhouse gases produced, let us say by a round-trip flight between New York and London; British Airways will remedy the damage your flight does to the heavens by sending…

how much do you think it would be? Well, at one point they calculated $16.73 and they will send the $16.73 you donate to, let us say, a wind farm in Mongolia or a project such as that, the idea being that that is a way that each of us, as an individual, can put a price on the damage our energy use inflicts on the planet and pay the price of setting it right.

On the face of it, this is a great idea: it is a way of making each of us aware of our responsibility, our share, of climate change and global warming. But there are some critics of carbon emissions: some critics have compared them to indulgences. You remember back at the time of the Reformation, there was a complaint about the Catholic Church selling indulgences and this was seen to be corrupt: a monetary payment to offset sin. It is an interesting question whether carbon offsets are morally analogous or not to the monetary payments, the indulgences, that sinners paid the Medieval Church to offset their transgressions. In fact, there is a website that parodies carbon offsets by arranging the purchase and sale of offsets for infidelity; the name of the website is cheatneutral.com. It goes like this: if someone in Zurich feels guilty for cheating on his or her spouse, that person can pay someone in Geneva to be faithful, thus offsetting the transgression. It is true the moral analogy is not perfect: betrayal is not objectionable only, or mainly, because it increases the sum of unhappiness in the world; it is a wrong to a particular person that cannot be set right by a virtuous act someplace else. Carbon emissions, by contrast, are not wrong as such, but only in the aggregate.

Still, the critics do have a point: to modify, monetizing and individuating, responsibility for greenhouse gases could have the same kind of corrosive effect on norms, on ethics that we have seen in these other areas: in the case of the black rhino or, arguably, in the case of the tradable pollution permits. Why? Well, because in a time of global warming, being profligate with energy use is now stigmatized and hybrid cars—electric cars, for example—now have a certain cachet. We admire people who experiment with or avail themselves, let us say, of electronic cars, but it is possible that carbon offsets could undermine norms of stigma for the wasteful use of energy by seeming to confer a moral licence to pollute, because if people driving gas-guzzling cars can assuage their guilt by writing a cheque to an organization that plants trees in the Amazon, they may be less likely to trade in that gas-guzzling car for a hybrid or for an electric car. So, the broader, collective response to climate change and the ethic to support it could be diminished or eroded.

It is hard to know, in any given case, just what will be the effect of monetizing a good, putting a price on a norm; we need to reason this through, case by case, but the general point is this: economists often assume that markets are inert—inert in the sense that they do not touch or taint or change the meaning of the goods they exchange. This may be true in cases of material goods: if we are talking about cars or toasters or flat-screen televisions. Whether you sell me a flat-screen television or give me one as a gift, it will be the same good, equally valuable either way. But the same may not be true when markets enter other aspects of social life. There, putting a price on goods may change their meaning.

Let me give you one or two examples. One involves an attempt to locate, to find a site for nuclear waste disposal sites here in Switzerland. In the 1990s, the government was searching for a safe place to locate nuclear waste in Switzerland and those who studied the matter identified a small town, Wolfenschiessen, in the mountains, that seemed to be the safest place; but under the law, the local residents had to approve. A survey was done and the citizens of this town were asked, "If parliament chooses this place, would you vote to approve a nuclear waste site?" Despite the risk, 51% said yes. Then, the survey takers asked a second question: they improved the offer. They said, "Now suppose parliament chooses this town and offers to pay each resident of the town an annual fee in compensation of the risk of up to 6 000 euros, then would you vote to approve?" Now, how many do you think were willing to accept? Anyone? Just call it out; shout out. [*Audience responds.*] Some say 90, some say fewer. It was fewer: the number fell from 51% to 25%. From the stand point of standard economic analysis, this is a puzzle, because normally the way the price system works is if you offer to pay someone to do something, more people, not fewer people, are willing to do that thing. So what happened in the case of the nuclear waste site?

Well, there are a couple of possible explanations: one is when they offered the money, people thought to themselves, "This must really be more dangerous than I thought: they are willing to pay me for that!" But they tested for this hypothesis and found that the estimate of the risk was about the same among the respondents before and after the financial offer was made, so something else must explain this, and the likeliest explanation is that the offer of the money changed the meaning of the question. When 51%, despite the risk, said they would accept it, they were acting out of a sense of civic responsibility, civic duty: they knew the country needed the energy, the waste had to go somewhere, if this were found to be the safest place, they were willing to do their part out of a sense of the common good. But when money entered the picture, what had been a civic question now became a financial deal, a pecuniary question and many people were not willing to sell out the safety and security of themselves and their families for money. They asked the people who changed their minds, "Why, now, do you change your minds?" and many of them said the money felt like a bribe. It is interesting, but why would a monetary payment in this case be a bribe? It is not a bribe in the sense that it is illegal: why would it be a bribe? Well, it would only be a bribe if you thought that it corrupted the higher motive, the higher reason, namely the sense of civic duty, acting for the sake of the common good. Now, you are being paid to sell out your life or the risk to yourself or to your family. I have presented this example to many audiences elsewhere in the world and in some places, including in the U.S. and in China, when I say, "What do you think explains it?" someone always answers, "Well, that is just the way the Swiss are; that would never happen here!" (The 51%, I mean.) So you should know, based on my unscientific survey with global audiences, people consider Switzerland a very patriotic place.

Another example. In Israel, there were some day care centres, kindergartens, that had a familiar problem: parents coming late to pick up their children, so with the help of some economists, the kindergarten established a monetary fine for late arrivals. What do you suppose happened? [*Audience reponds.*] Nobody was late? It was the opposite: more parents arrived late! Why should this be? Here again, from the standpoint of standard economic analysis, this is a puzzle: you charge more for something, you expect fewer people to do that thing, not more. What seems to have happened is that the money changed the meaning of showing up late: before when parents came late, they felt guilty; they felt they were imposing on the teacher who would have to wait with their child, but when the fine was instituted, they seem to have treated the fine as if it were a fee, like a babysitting fee. If you are simply paying for a service, nobody feels guilty; the guilt went away. People felt they were paying the teacher, so more parents arrived late. What is interesting about this is when they realized what had happened, they removed the fine, but the new pattern of late arrivals persisted, which suggests a cautionary tale that once market mechanisms crowd out non-market norms, in this case the obligation to show up on time, it is not an easy matter to recreate those norms: it cannot be turned on and off like a switch.

What do we learn from these examples and from the cases we considered about the sometimes novel use of market mechanisms and cash incentives to encourage wildlife conservation, or reducing carbon emissions or promoting teaching and learning, in the case of paying children to read books, for example, or get good grades? What we learn from our hesitation, in some of these cases, to use a market is reinforced by what we learn from these real-life examples. It is a mistake to assume, as many economists do assume, that markets are neutral mechanisms, neutral instruments, that do not touch or change the meaning of the goods they exchange. If that is the case, there are big implications if markets and marketization can sometimes change the meaning of social goods and crowd out non-market values.

There are implications of two kinds: one is about how we do economics. Many economists today say economics is a value-neutral science of human behaviour and social choice, but if market mechanisms can change the meaning of goods, then economics is not a value-neutral science after all. To decide where markets serve the public good and where they do not belong, we have to engage not only in value-neutral scientific analysis, we have to engage in moral enquiry, which suggests that economics needs to be reconnected to moral and political philosophy, reconnected to the classical tradition of political economy, going back to Adam Smith, who saw the two as connected, economics and philosophy. There is also an implication for politics in our public life. Part of the appeal of market mechanisms, one of the reasons for the market faith in recent decades, for the faith that markets can be the primary instrument for defining justice in the common good… part of that faith consists in the idea that market mechanisms can spare us hard and difficult and sometimes messy debates about how to value goods, whether goods to do with health or education or the environment or the meaning of the good life; how to raise our children. There is a temptation to keep those hard questions at a distance in politics, because we know we will disagree if we get engaged in ethical and moral arguments. This may be a mistake, this temptation; I think our public life would go better if we engaged, rather than avoided, big questions about ethics and justice and how to value goods.

One important study that showed the sometimes corrosive effect of market mechanisms on human values and goods was done in 1970 by a British sociologist named Richard Titmuss. He studied blood donation in the U.S. and in the U.K.: in the U.S., you could buy and sell blood, or donate it; in the U.K., there was no market. He found that, on practical grounds, the U.K. system worked better: it was more efficient and a more regular supply of blood, less tainted blood and so on. But he also made a moral argument that once you allow the buying and selling of blood, you diminish, you corrupt, the altruism embodied in giving blood. Titmuss's book was controversial and much debated and one of his critics was one of the most famous economists of his time, Kenneth Arrow. He questioned this assumption of Titmuss: how could it be, Arrow wondered, that commercializing blood changes the meaning of donating it? Arrow also worried that relying on altruism and benevolence and generosity to provide blood, rather than on markets, is a mistake. His reason: if we use the price system to generate the blood supply, then people's altruistic impulses will be conserved. We should not rely unnecessarily on altruism or generosity or benevolence, he argued, because these moral sentiments are scarce resources and we should try to preserve them when we can. "Like many economists," Arrow wrote, "I do not want to rely too heavily on substituting ethics for self-interest; I think it is best, on the whole, that the requirement of ethical behaviour be confined to those circumstances where the price system breaks down. We do not wish to use up recklessly the scarce resources of altruistic motivation."

If this economistic conception of virtue is true, then it does provide further grounds for extending markets into every sphere of life. If the supply of altruism and generosity and civic virtue is fixed as if by nature like the supply of fossil fuels, then we should try to conserve it: the more we use, the less we have. But is it true? To those not steeped in economics, this economistic way of thinking about the generous virtues is strange, even far-fetched. It ignores the possibility that our capacity for love and benevolence is not depleted with use but enlarged with practice. Think of a loving couple: if, over a lifetime, they asked little of one another in the hopes of hoarding their love, how well would they do? Would their love not deepen, rather than diminish, the more they called upon it? Would they really do better to treat one another in a more calculating fashion to conserve their love for the time that they really needed it?

Similar questions can be asked of social solidarity and civic virtue: should we try to conserve civic virtue by telling citizens to go shopping until their country really needs them, or do civic virtue and public spirit atrophy with disuse? Aristotle took the second view: Aristotle taught that virtue is something we cultivate with practice: "We become just by doing just acts; temperate by doing temperate acts; brave by doing brave acts." Rousseau held a similar view. "The more a country asks of its citizens," he argued, "the greater will be their devotion to it. In a well-ordered city, every man flies to the assemblies." Civic virtue", he thought, "is built up, not spent down by strenuous citizenship." Use it or lose it, Rousseau says, in effect. "As soon as public service ceases to be the chief business of citizens and they would rather serve with their money than with their persons," Rousseau wrote, "the state is not far from its fall."

I think that the economists are wrong and that Aristotle and Rousseau are right: the economistic view of virtue fuels the faith in markets; it propels their reach into places where they do not belong. But the metaphor is misleading. Altruism, generosity, solidarity and civic spirit: these are not like commodities that are depleted with use; they are more like muscles that develop and grow stronger with exercise. One of the defects of our market-driven societies is that we are letting these virtues languish. To renew our public life, we need to exercise them more strenuously.

Thank you very much.